NORTH EMMET EMERGENCY SERVICES AUTHORITY EMMET COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2005

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued under P.A. 2 of	1968,	as amen	ded.							
Local Government Ty	pe ownsh	ip 🗌	Village	✓ Other		nment Name <mark>mmet Emergency Serv</mark>	ices Authori		_{unty} mmet	
Audit Date 3/31/05			Opinion 9/22/ (<u> </u>	Date Accountant Report Subr 9/26/05	nitted to State:			
accordance with	the	Stateme	ents of	the Gove	rnmental Acc	of government and rendere counting Standards Board ment in Michigan by the Mic	(GASB) and	the <i>Unifor</i>	m Rep	
We affirm that: 1. We have con	nplied	l with th	e Bullet	in for the i	Audits of Loca	al Units of Government in M	<i>lichigan</i> as revi	sed.	RI	ECE.
2. We are certifi	ed pu	ublic ac	countan	ts register	ed to practice	in Michigan.				SEP 2 6 2005
We further affirm comments and re				responses	have been di	isclosed in the financial sta	tements, includ	ling the no	1	n the report of
ou must check th	е ар	plicable	box for	each item	n below.				<u> </u>	
Yes ✓ No	1.	. Certa	in comp	onent uni	ts/funds/agen	cies of the local unit are ex	cluded from the	e financial	stateme	ents.
Yes ✓ No	2.		e are ac of 1980).		d deficits in o	ne or more of this unit's u	nreserved fund	l balances	/retaine	d earnings (P.A.
Yes 🗸 No	3.	There amen		stances o	f non-complia	ance with the Uniform Acc	counting and B	Sudgeting ,	Act (P.A	A. 2 of 1968, as
Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.										
Yes ✓ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).										
Yes ✓ No	6.	The k	ocal unit	has been	delinquent in	distributing tax revenues the	nat were collec	ted for and	ther ta	xing unit.
The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned Yes No 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).										
Yes ✓ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).										
☐ Yes 🔽 No	9.	The lo	ocal unit	has not a	dopted an inv	restment policy as required	by P.A. 196 of	1997 (MC	L 129.9	5).
We have enclose	We have enclosed the following: To Be Not Enclosed Forwarded Required									
The letter of com	ment	s and re	comme	ndations.			✓		·	
Reports on individual federal financial assistance programs (program audits).										
Single Audit Reports (ASLGU).										
Certified Public Accou	,		•							
Richard E. Ma Street Address 580 South Nic		_			(1)	City Mackinaw (City	State MI	ZIP 497	701
Accountant Signature	0	X		Tul		11)K		Date	1	

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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

September 22, 2005

Members of the Board North Emmet Emergency Services Authority Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund information of the *North Emmet Emergency Services Authority, Emmet County, Michigan*, as of and for the year ended March 31, 2005, which collectively comprise the *North Emmet Emergency Services Authority's* basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the *North Emmet Emergency Services Authority's* management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the *North Emmet Emergency Services Authority*, *Emmet County*, *Michigan*, as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Service has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1 through 3 and 17, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the North Emmet Emergency Service's Authority (The Authority) annual financial report presents our discussion and analysis of The Authority's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of The Authority as a whole and present a longer-term view of The Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The fund financial statements also report The Authority's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2005 totaled \$277,834. Of the total, \$60,171 represents capital assets, net of depreciation.

Overall revenues were \$181,862, all of which are considered general revenues. Overall expenses in the statement of activities were \$148,547.

The Authority purchased no capital assets nor incurred any debt during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2005.

The remaining statements are fund financial statements, which focus on individual parts of The Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about The Authority as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of The Authority's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between The Authority's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in The Authority's net assets are an indicator of whether financial position is improving or deteriorating.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about The Authority's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Authority has only the following type of fund:

Governmental Fund

The Authority's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between The Authority's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets

The Authority's net assets increased \$33,315 during the year, to total \$274,817.

FINANCIAL ANALYSIS OF THE SERVICE'S FUNDS

The governmental activities paid \$130,651 for contracted fire services and other operating costs and depreciation of \$17,896. There is no debt and there were no capital assets purchased during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

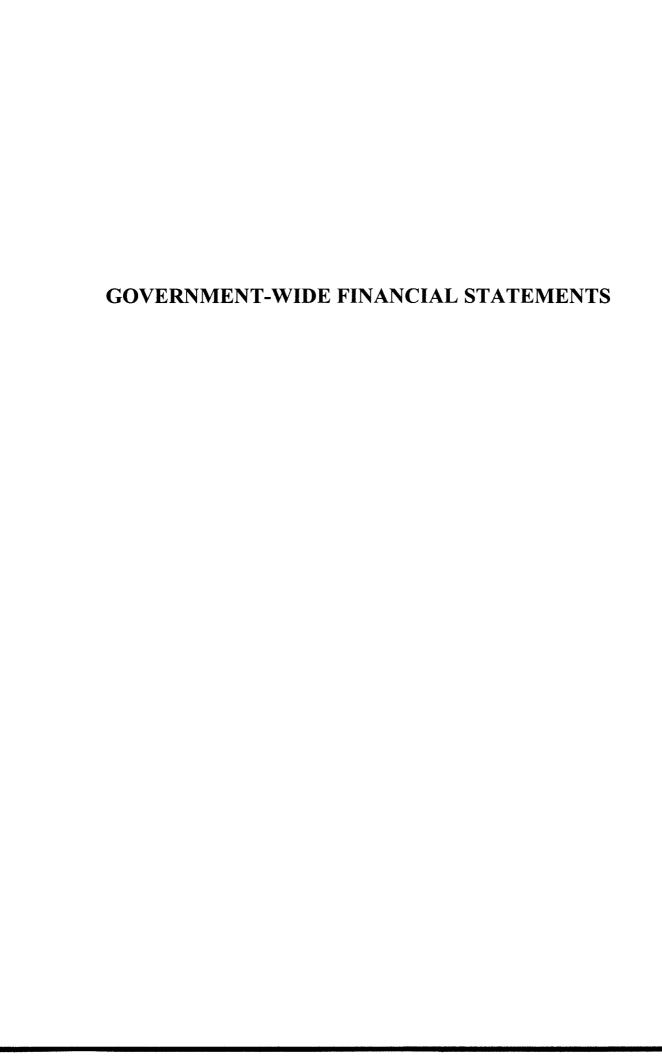
KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Authority's revenue is dependent on continuing tax revenues levied in the participating government units.

CONTACTING MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the North Emmet Emergency Services Authority's finances and to demonstrate The Authority's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any member of the Authority.

BASIC FINANCIAL STATEMENTS	



NORTH EMMET EMERGENCY SERVICES AUTHORITY STATEMENT OF NET ASSETS MARCH 31, 2005

_	ASSETS	GOVERNMENTAL ACTIVITIES
	CURRENT ASSETS:	
	Cash and cash equivalents	\$3,966
	Investments	178,448
	Property taxes receivable	19,249
	Due from other governmental units	16,000
_	TOTAL CURRENT ASSETS	217,663
•	CAPITAL ASSETS:	
	Capital assets	131,000
_	Accumulated depreciation	(70,829)
	TOTAL CAPITAL ASSETS	60,171
	TOTAL ASSETS	\$277,834
-	LIABILITIES AND NET ASSETS	
	LIABILITIES:	
	Due to other governmental units	\$3,017
,	NET ASSETS:	
	Invested in capital assets	60,171
	Unrestricted	214,646
	TOTAL NET ASSETS	274,817
	TOTAL LIABILITIES	
	AND NET ASSETS	\$277,834

NORTH EMMET EMERGENCY SERVICES AUTHORITY STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

_		GOVERNMENTAL ACTIVITIES
	EXPENSES:	
	Public safety:	
	Contracted service	\$130,651
	Other operating costs	10,618
_	Depreciation	7,278
	TOTAL PROGRAM EXPENSES	148,547
_	GENERAL REVENUES:	
	Property taxes	180,888
	Interest	974
	TOTAL GENERAL REVENUES	181,862
_	INCREASE IN NET ASSETS	33,315
	NET ASSETS, BEGINNING OF YEAR	241,502
	NET ASSETS, END OF YEAR	\$274,817

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_	FUND FINANCIAL ST	FATEMENTS	
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NORTH EMMET EMERGENCY SERVICES AUTHORITY BALANCE SHEET - GOVERNMENTAL FUND MARCH 31, 2005

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$3,966
Investments	178,448
Property taxes receivable	19,249
Due from other governmental units	16,000
TOTAL ASSETS	\$217,663
LIABILITIES AND FUND EQUITY	
LIABILITIES:	
Due to other governmental units	\$3,017
FUND EQUITY	
Fund balance:	
Unreserved:	
Designated for capital outlay	73,609
Designated for depreciation	75,238
Undesignated	65,799
TOTAL FUND EQUITY	214,646
TOTAL LIABILITIES	
AND FUND EQUITY	\$217,663

NORTH EMMET EMERGENCY SERVICES AUTHORITY BALANCE SHEET - GOVERNMENTAL FUND MARCH 31, 2005

Reconciliation of fund balance on the balance sheet for the governmental activity to the statement of net assets

FUND BALANCE - TOTAL GOVERNMENTAL FUND

\$214,646

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: capital assets

Add: capital assets

\$131,000
Subtract: accumulated depreciation

(70,829)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

NORTH EMMET EMERGENCY SERVICES AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED MARCH 31, 2005

REVENUES	
Property Tax:	
Cross Village Township	\$42,160
Friendship Township	77,167
Readmond Township	61,561
Interest	974
TOTAL REVENUES	181,862
EXPENDITURES	
Current:	
Public safety:	
Contracted services	130,651
Board expense	1,525
Election expense	3,452
Office expense	189
Insurance	4,587
Equipment maintenance	865
TOTAL EXPENDITURES	141,269
REVENUES OVER EXPENDITURES	40,593
FUND BALANCE, BEGINNING OF YEAR	174,053
FUND BALANCE, END OF YEAR	\$214,646

NORTH EMMET EMERGENCY SERVICES AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED MARCH 31, 2005

Reconciliation of statement of revenues, expenditures and changes in fund balance of	
the governmental fund to the statement of activities	
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$40,593
Amounts reported for governmental activities in the statement of activities	
are different because:	
Governmental funds report capital outlays as expenditures. However, those costs	
are allocated over their useful lives as annual depreciation expense in the statement	
of activities.	
Add: capital outlay capitalized during the current year	
Subtract: depreciation expense	(7,278
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$33,315

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Emmet Emergency Services Authority is a quasi-governmental authority created March 1, 1989 by the Townships of Cross Village, Friendship and Readmond, Emmet County, Michigan. It is a Michigan Public Body incorporated under the authority of Act 57; Michigan Public Acts of 1988. As authorized by Act 57, the Authority is empowered with all necessary authority to carry out its purpose of providing emergency services to its constituent municipalities. The Authority provides fire protection for its three participating municipalities under a contract with the Readmond-Friendship Firefighters Association.

The accounting policies of the North Emmet Emergency Services Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, the North Emmet Emergency Services Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the North Emmet Emergency Services Authority's financial statements has shifted from a fund focus to a government-wide focus.

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the reporting entity include those of the North Emmet Emergency Services Authority and any component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on the foregoing criteria, the North Emmet Emergency Services Authority has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the Authority as a whole.

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The Authority's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Fund financial statements are provided for The Authority's government fund.

The Authority reports the following major governmental fund:

<u>General Fund</u> - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS

Comparisons to budget are presented as required by generally accepted accounting principles. An operating budget is adopted each fiscal year on the same basis of accounting as the financial statements are presented. The North Emmet Emergency Services Authority follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, a proposed operating budget for the fiscal year commencing on April 1 is prepared and made available for public inspection.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the North Emmet Emergency Services Authority Board.

The North Emmet Emergency Services Authority's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, is not employed by the North Emmet Emergency Services Authority because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are stated at cost and consist of bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies. These investments comply with the Authority's adopted Investment Policy.

RECEIVABLES AND DUE FROM OTHER GOVERNMENTAL UNITS

Receivables and due from other governmental units are reported at gross value or net of a valuation allowance, if applicable

CAPITAL ASSETS

Capital assets include emergency vehicles. Capital assets are defined by the government as assets with an initial individual cost generally of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Emergency vehicles

18 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statement, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Authority has no long-term obligations for the year ended March 31, 2005.

VACATION, SICK LEAVE AND POST EMPLOYMENT BENEFITS

The North Emmet Emergency Services Authority has no employees. Therefore, no accumulated vacation, sick leave or post employment benefits exist to be recognized.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: PROPERTY TAX REVENUE

Property tax revenues for the year ended March 31, 2005, reflected in the accompanying financial statements include property taxes levied December 31, 2004. These taxes are due by February 15, 2005, and are added to the County tax rolls after February 28, 2005. The North Emmet Emergency Services Authority will receive 100% payment for the delinquent tax by June, 2005.

The taxable value of the North Emmet Emergency Services Authority totaled \$180,623,750, on which ad valorem taxes consisted of 1.0 mill for operating purposes, raising \$180,888 for operating purposes.

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in one financial institution located in Emmet County in varying amounts as follows:

Cash and cash equivalents	\$ 3,966
Investments	178,448
	\$182,414

At year-end the carrying amount of North Emmet Emergency Services Authority's deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance	
Insured (FDIC) Uninsured – uncollateralized	\$ 3,966 178,448	\$ 3,966 178,448	
	\$182,414	\$182,414	

All accounts are in the name of the North Emmet Emergency Services Authority. They are recorded in the records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

For the year ended March 31, 2005, investments are stated at cost and consist of bank money market funds which invest solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies and are not insured by the Federal Deposit Insurance Corporation (FDIC).

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Michigan Compiled Laws, Section 129.91 authorizes units of local governments to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units represents an amount due the North Emmet Emergency Services Authority from the Readmond-Friendship Firefighters Association for the purchase of a fire truck by the Association. The original \$40,000 note dated November 8, 2001 is due in annual installments of \$8,000 with 0% interest and matures in 2007. The balance due as of March 31, 2005, is \$16,000, as shown in the accompanying financial statements.

NOTE 5: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year is as follows:

	Balance			Balance
	April 1, 2004	Additions	Deletions	March 31, 2005
Being depreciated:				
Vehicles	\$ 131,000	\$ -	\$ -	\$ 131,000
Less accumulated depreciation	(63,551)	(7,278)		(70,829)
Total	\$67,449	(\$7,278)	\$ -	\$60,171

Depreciation was charged to the functions as follows:

Public safety \$7,278

NOTES TO FINANCIAL STATEMENTS

NOTE 6: RESERVES AND DESIGNATIONS

At March 31, 2005, the North Emmet Emergency Services Authority had the following designations of fund balance:

Capital Outlay - \$73,609 designated for future purchases of capital assets.

Depreciation - \$75,238 designated for the replacement of existing capital assets.

NOTE 7: RISK MANAGEMENT

The North Emmet Emergency Services Authority participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138; Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the North Emmet Emergency Services Authority. The North Emmet Emergency Services Authority pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for general liability of \$3,000,000, wrongful acts of \$2,000,000, automobile of \$1,000,000, crime of \$10,000, inland marine liability of \$16,800 and bonding for public official's errors and omissions.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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_	SUPPLEMENTARY INFORMATION
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NORTH EMMET EMERGENCY SERVICES AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Tax:				
Cross Village Township	\$42,212	\$42,212	\$42,160	(\$52)
Friendship Township	77,277	77,277	77,167	(110)
Readmond Township	61,135	61,135	61,561	426
Interest	800	800	974	174
Other	2	2	-	(2)
TOTAL REVENUES	181,426	181,426	181,862	436
EXPENDITURES				
Current:				
Public safety:				
Contracted services	130,651	130,651	130,651	•
Legal expenses	1,000	1,000	-	1,000
Board expense	1,700	1,700	1,525	175
Election expense	2,500	3,452	3,452	-
Transportation	100	100	-	100
Office expense	250	250	189	61
Insurance	4,400	4,587	4,587	-
Equipment maintenance	3,400	3,400	865	2,535
Depreciation allowance	8,000	8,000	-	8,000
Contingencies	2,000	861	-	861
TOTAL EXPENDITURES	154,001	154,001	141,269	12,732
REVENUES OVER EXPENDITURES	27,425	27,425	40,593	13,168
FUND BALANCE, BEGINNING OF YEAR	174,053	174,053	174,053	·
FUND BALANCE, END OF YEAR	\$201,478	\$201,478	\$214,646	\$13,168



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

September 22, 2005

Members of the Board North Emmet Emergency Services Authority Emmet County, Michigan

In planning and performing my audit of the general purpose financial statements of the **North Emmet Emergency Services Authority**, **Emmet County**, **Michigan**, for the year ended March 31, 2005, I considered the Authority's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 22, 2005 on the financial statements of the *North Emmet Emergency Services Authority*.

Thank you for the opportunity to serve the North Emmet Emergency Services Authority.

Richard E. Mahlmeister, C.P.A.

North Emmet Emergency Services Authority Comments & Suggestions September 22, 2005 Page 2 (two)

SEGREGATION OF DUTIES

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the *North Emmet Emergency Services Authority's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Authority. This condition is generally inherent in organizations the size of the *North Emmet Emergency Services Authority's*, where corrective action is not practical, and is not considered to be a material weakness.

CAPITAL ASSETS

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. A policy could also be developed where different types of assets could have different thresholds where they would be subject to capitalization (i.e. emergency vehicles, land building and improvements and office equipment). Adopting a capitalization policy with these minimums would, in the future, exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.